MONTHLY REVIEW
of Credit and Business Conditions
Second Federal Reserve District

Federal Reserve Agent | *Federal Reserve Bank, New York* | *April 1, 1927*

Business Conditions in the United States

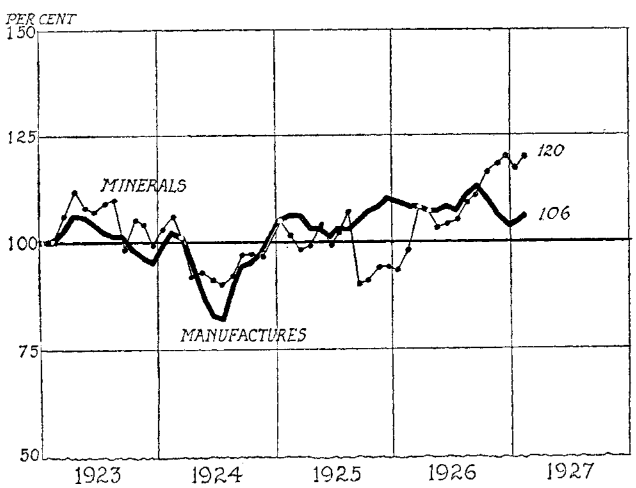
INDUSTRIAL output increased further in February and was slightly larger than a year ago, and distribution of commodities by the railroads was larger than for the corresponding period of any previous year. The general level of wholesale prices continued to decline and was in February at the lowest level since the summer of 1924.

Production

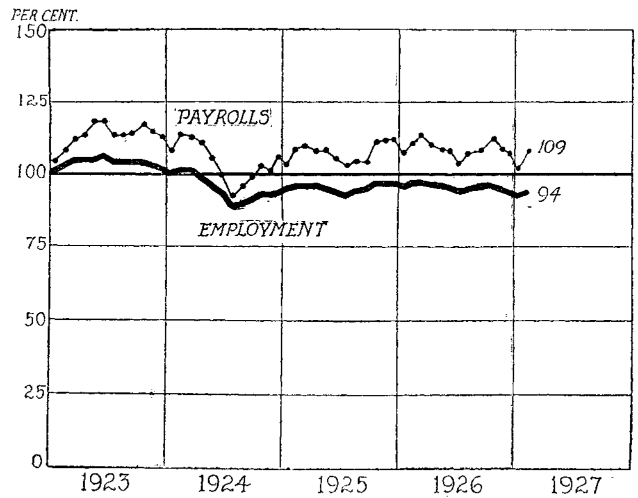
Production of manufactures increased in February for the second consecutive month, and the output of minerals, after declining in January, advanced once more in February to the record level reached last December. Factory production and employment, however, continued smaller than during the corresponding month of last year. Production of iron and steel has increased steadily since December, and reports indicate that operations of steel mills in March were at almost the same high rate as in March 1926. Automobile production increased from 234,000 cars in January to 298,000 cars in February, and weekly figures of employment in Detroit factories indicate some further additions to production in March, but output has continued much smaller than a year ago. Daily average consumption of cotton by mills in February was larger than in any previous month on record, but activity of woolen and silk mills decreased as compared with January. Production of bituminous coal has been maintained in large volume, while that of anthracite has been considerably reduced. The output of building materials was smaller during the first two months of this year than in the corresponding period of 1926. The value of building contracts awarded in February was 3 per cent smaller than in the same month of last year, but awards for the first three weeks in March were in approximately the same volume as in 1926. Contracts in Southeastern and Northwestern states have been considerably smaller than a year ago, while those in the Central West have been much larger.

Trade

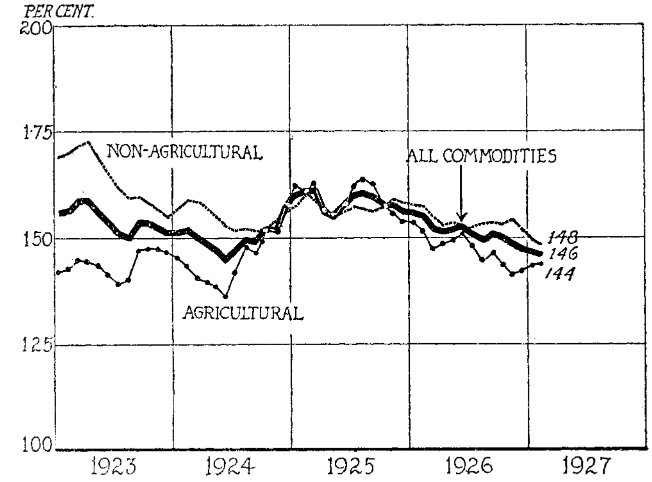
Retail trade showed less than the usual seasonal decline between January and February. Sales of department stores and chain stores were larger than in February of last year, while those of mail order houses were smaller. Wholesale firms reported a smaller volume of business in February than a year ago, and this decline occurred in nearly all leading lines. Inventories of department stores increased in February in anticipation of the usual expansion in spring trade, but the growth was less than is customary at this season and at the end of the month stocks were slightly smaller than a year ago. Stocks of merchandise carried by wholesale firms also increased in February, but they were generally smaller than in the corresponding month of last year.



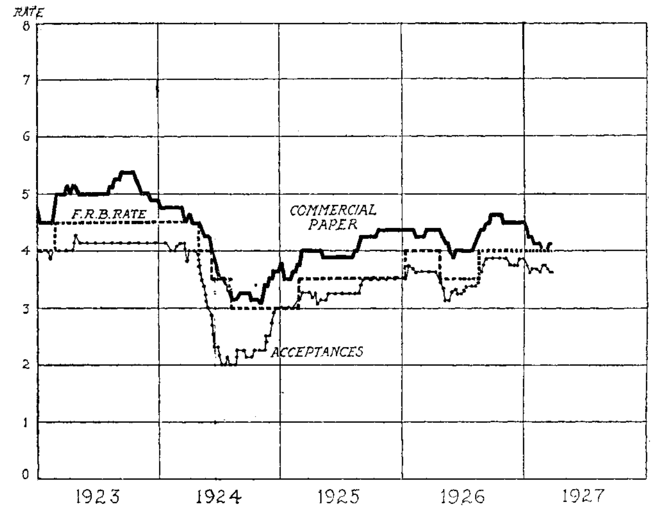
Index Numbers of Production of Manufactures and Minerals, Adjusted for Seasonal Variations. (1923-25 average = 100 per cent).



Federal Reserve Board's Indexes of Factory Employment and Payrolls. (1919 average = 100 per cent).



Price Indexes of United States Bureau of Labor Statistics. (1913 average = 100 per cent).



Weekly Rates in New York Money Market; Commercial Paper Rate on 4 to 6 Months Paper and Acceptance Rate on 90 Day Paper.

Railroad shipments of commodities have increased steadily since January by more than the usual seasonal amount and have exceeded those for the same period last year, owing to larger shipments of coal, of miscellaneous commodities, and of merchandise in less-than-car-load lots.

Prices

Wholesale prices, according to the index of the Bureau of Labor Statistics, continued to decline in February. Among non-agricultural products decreases occurred in the prices of coal, petroleum, iron and steel, nonferrous metals, and lumber, and the index for non-agricultural prices as a group was at the lowest post-war level. Prices of livestock and livestock products and of clothing materials advanced in February. During the first three weeks of March there were decreases in prices of grains, livestock, sugar, silk, wool, coal, petroleum, and gasoline, while prices of potatoes, pig iron, hides, and rubber advanced.

Bank Credit

Demand for commercial credit at member banks in leading cities increased seasonally between the middle of February and the middle of March. There was also growth in the volume of funds used in the security market as indicated by increases in loans to brokers and dealers in securities. Consequently total loans of the reporting banks at the end of the period were close to the level of last autumn. Financial operations of the United States Treasury around the middle of March, with disbursements temporarily in excess of receipts, resulted in a temporary abundance of funds which was reflected at member banks in leading cities in a growth of deposits, in reduced indebtedness at the Reserve Banks, and in increased holdings of securities.

At the Reserve Banks, following changes in holdings of bills and securities accompanying the financial operations of the Treasury, the total volume of credit outstanding on March 23 was somewhat larger than four weeks earlier.

Conditions in the money market in March were slightly firmer than in February. Rates on prime commercial paper advanced from 4 per cent to 4-4¼ per cent and call money was also higher, while rates on acceptances declined somewhat.

Money Market

The event of chief interest in the money market during March was the series of transactions centering in Treasury financing on March 15. Operations of this recent tax date differed from usual tax day operations principally in their huge volume, and the resulting problem in avoiding disturbance to the money market.

Treasury transactions for the country as a whole included: the redemption of $660,000,000 of Treasury notes, the largest maturity in some years; the issuance of two new series of certificates of indebtedness, $170,000,000 at 3⅛ per cent for six months, and $314,000,000 at 3¼ per cent for one year; the issuance of $1,355,000,000 of Treasury 3½ per cent three to five year notes in exchange for Second Converted 4¼ per cent Liberty Loan bonds, redeemed with interest to May 15, 1927; the payment of $90,000,000 of interest; the withdrawal of $192,000,000 of Government deposits from depositary banks; and the collection of over $500,000,000 of income taxes. The total turnover of Government funds on and about March 15 was well over three billion dollars. Much of this, particularly the collection of income taxes, was spread over a number of days and distributed about the country. The first day of the tax period, the 15th of the month, is always the heaviest day, however, and in all such operations between one-third and one-half of all transactions takes place in New York. As a consequence, the volume of operations of the New York Reserve Bank of March 15 was one of the largest for any day in its history. The total turnover of funds on that single day, including both transactions for Treasury account and ordinary banking operations, was close to two billion dollars. This total was made up roughly as follows:

Fiscal Agency Operations	
Securities redeemed	$ 343,000,000
Securities exchanged	548,000,000
Subscriptions to new issues	136,000,000
Interest paid	32,000,000
Income taxes collected	8,000,000
Total	$1,067,000,000
Banking Operations	
Checks and other collections	$ 530,000,000
Wire transfers	243,000,000
Currency payments and receipts	28,000,000
New loans to member banks	10,000,000
Member bank loans paid	75,000,000
Total	$ 886,000,000
Total, All Operations	$1,953,000,000

Certain of these very large Treasury operations have no effect on the money market beyond some churning about of funds. They do not involve any gain to the money market or any loss to the market. The exchange of 3½ per cent notes for Second Liberty 4¼'s, for example, neither withdraws funds from the market nor puts funds into the market. Similarly, the issue of new certificates does not affect the money market, since these certificates are largely paid for by deposit credit to the account of the Government on the books of the subscribing banks, and there is no withdrawal of funds until the Treasury from time to time makes calls upon these deposits as it has need for funds. The Treasury operations which did exercise an important effect upon the money market were the redemption of maturing notes, the payment of interest, the call of funds from depositary banks, and the collection of income taxes.

The immediate effect of Treasury operations on March 15 was to pour into the money market about 265 million dollars of funds, because payments by the Treasury to redeem maturing notes and to pay interest were immediately available, whereas the actual collection of income tax checks by the Treasury was spread over a number of days. The money market problem, in which the Federal Reserve Bank was concerned, was to prevent this huge gain in funds by the market on March 15 from upsetting the market. The extra funds put into the market by the Treasury were absorbed in the following ways:

1. Member banks in New York City allowed their reserves to run below requirements for a few days prior to March 15, so that they came to March 15 with an accumulated deficiency of 85 million dollars.
2. On March 15, banks repaid the Reserve Bank 63 million dollars of loans.
3. In addition, 18 million dollars of Federal Reserve credit was retired through decreases in holdings of bills and Government securities under sales contract.
4. The Reserve Bank made a temporary sale of 60 million dollars of Government securities to several member banks.
5. Maturities of $25,000,000 of securities from the System's holdings were not replaced until the following week.

By these means the greater part of the 265 millions of excess funds was withdrawn from the market and as a consequence there was no serious overage of funds in the market. Money rates in the stock exchange market only went below 4 per cent for a few hours on March 16; on March 17 and 18 the member banks resold to the Reserve Banks the securities they had purchased, and on March 18 they found it necessary to borrow 117 million dollars from the Reserve Bank to bring their average reserves up to requirements. Thus money conditions were maintained at a stable level during the week.

The Reserve Bank's temporary sale of Government securities to the member banks was of interest partly because it took a new form. Temporary sales of securities have frequently been made in the past at tax periods to prevent unduly easy money, but such sales have usually been made from the securities in the System's open market account, which are lodged in New York. The sale during the March tax period took the form of the sale of participations in the special one-day certificates of indebtedness, which the Treasury issued to the New York Bank to cover the funds which it borrowed from the New York Bank to cover its temporary excess of expenditures over receipts.

Aside from Treasury operations there was during March a somewhat firmer tendency apparent in the money market, due in part to a seasonal increase in the demand for funds for commercial use and an increase in the amount of credit employed in the security markets. Commercial loans of all reporting member banks increased 125 million dollars in all districts in the four weeks ended March 23. Loans on stocks and bonds of these banks increased by approximately 100 millions and throughout the country were about 200 million dollars higher than a year ago. Partly reflecting these changes, and partly as a consequence of a reduction in holdings of purchased bills by the Reserve Banks, there was an increase in the amount of borrowing by member banks at the Reserve Banks. The prevailing rate on call loans advanced to 4½ per cent during the last ten days of March, after holding at 4 per cent during the previous eight weeks.

Money Rates at New York

	March 30, 1926	Feb. 28, 1927	March 30, 1927
Call money	*5	*4	*4½
Time money—90 day	4⅝–4¾	4⅜–4½	4½
Prime commercial paper	4¼–4½	4	4–4¼
Bills—90 day unendorsed	3⅝	3⅝–3¾	3⅝
Treasury certificates and notes			
Maturing June 15	3.02	3.15	3.31
Maturing September 15	3.21	3.19	3.39
Federal Reserve Bank of New York—rediscount rate	4	4	4
Federal Reserve Bank of New York—buying rate for 90 day bills	3⅝	3¾	3¾

*=Prevailing rate for preceding week.

Bill Market

The demand for bills reached unusually large proportions by the middle of March, due largely to buying for account of foreign banks, and substantially exceeded the supply of new bills offered to the market. As a result, dealers' portfolios declined to about 50 million dollars, the lowest level since last October, and bill holdings of the Reserve Banks were reduced. In the latter part of the month, the demand for bills became more normal and portfolios increased slightly. Dealers' offering rates on 30 and 90 day unindorsed bills, which showed a declining tendency late in February, became established early in March at 3½ and 3⅝ per cent respectively, and rates on other maturities were unchanged during the month.

Commercial Paper Market

Commercial paper rates were slightly firmer in March than in the previous month but still remained about ¼ of one per cent below last year's level. Prime paper sold at 4-4¼ per cent, while in February sales had been largely at 4 per cent. The investment demand on the part of interior institutions was fairly active and in general remained equal to the rather limited amounts of new paper that dealers were able to offer. In connection with the supply of commercial paper available in the open market, an interesting development was the increase in the outstandings of 26 dealers to $577,000,000 at the end of February. This was an increase over January of nearly 5 per cent, whereas in the corresponding periods of 1925 and 1926 there was virtually no change. February outstandings, however, were 12 per cent smaller than a year previous.

Security Markets

A feature of the bond market in March was a rise in many issues of United States Government bonds to the highest prices since issuance, following the announcement of new issues of Treasury certificates and the offer to exchange Second Liberty Loan 4¼ per cent bonds for 3½ per cent Treasury notes.

Corporation bonds were also strong and average prices advanced about one-half point to the highest levels since early in 1913. A large number of foreign issues likewise sold at the highest prices in recent years. Yields of high grade bonds in recent months have continued the gradual decline of the past three years, and are now only slightly higher than in 1916.

Stock prices fluctuated irregularly, with wide disparity between the movement of different stocks. Railroad stock averages near the close of the month were slightly above the high levels of February, while industrial stock averages were somewhat below. Trading continued active, and sales averaged nearly two million shares daily.

New Financing

Most classes of security issues showed some decrease in March from the very large totals for the previous two months of the year, but the total for the month was somewhat larger than for March 1926. Railroad offerings continued unusually large in both number and amount, due in part to the flotation of numerous equipment trust issues. For the first quarter of the year new financing of all kinds has been about one-third larger than in the corresponding period of 1926.

Foreign issues were larger than a year ago, in both March and the first quarter of the year. Offerings of $30,000,000 of City of Rome and $20,640,000 of City of Tokio bonds were the principal foreign issues in March, and there was a continuance of Australian financing by a $7,500,000 issue of the City of Brisbane.

The Foreign Exchanges

During March, the foreign exchanges continued the gradual rising movement begun in February, and toward the end of the month were quoted at or near the best figures for the year to date. Sterling, which was down to $4.8450 in February, reached $4.8531 on March 28; German marks have risen from 23.69 cents to 23.73 cents; Netherlands florins from 39.92 cents to about 40.00; and Swedish crowns from 26.67 cents to 26.78 cents. French francs were steady at about 3.91 cents; Italian lire rose above 4.61 cents to the highest level since 1923, and Spanish pesetas to 18.09 cents, the highest since 1920, compared with a quotation of 15.36 cents in January. Norwegian crowns crossed 26 cents to a level about ¾ cents below parity.

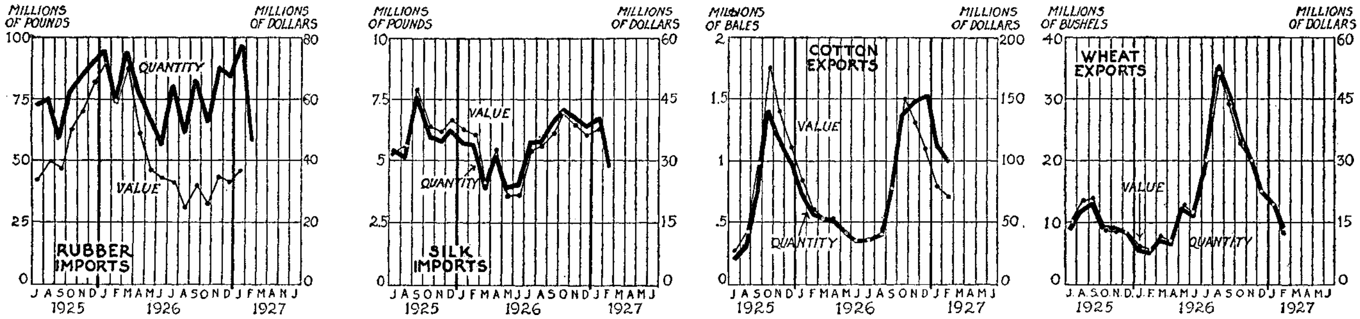
Similar strength was apparent in certain American rates. The Canadian dollar rose sharply from 99.81 cents on March 16, to a premium sufficient to attract gold from the United States near the end of the month. Argentine pesos advanced nearly to parity. In the Far East, the rupee strengthened upon the vote establishing its legal parity at 1s. 6d., and Japanese yen, over 49 cents, were at the best level for the current year.

Silver and the silver exchanges were irregular at levels somewhat lower than those of the previous month. The fluctuations in the metal in February were between a high of 60½ cents and a low of 56¼ cents; in March the range was between 57 cents on the first to 54⅜ on the 16th. Movements of the silver currencies were similar.

Changes in Central Bank Rates

During March, the central banks of four countries reduced their discount rates as follows: Czecho-Slovakia from 5½ to 5 on March 7; Japan from 6.57 to 5.84 on the 9th; Poland from 9 to 8½ on the 11th and Finland from 7½ to 7 on the 23rd. The March reduction in the rate of the Bank of Poland followed a reduction from 9½ to 9 in February.

In the first quarter of the current year discount rates have been reduced in 9 countries and increased in only one, India.



Quantity and Value of Imports of Rubber and Silk, and Exports of Cotton and Wheat (Including Wheat Flour Converted into Equivalent Bushels of Grain).

Gold Movement

Gold imports during February reached a total of $22,300,000, against exports of about $2,500,000, and March imports at New York were $5,800,000 against exports of $4,400,000, thus increasing the net import for the first three months of this year to approximately $68,000,000.

The principal imports in February were from England, France, and Japan, continuing movements which were started in previous months. After one shipment in the first week of February the Canadian movement ceased until early in March, when $4,500,000 additional was received before Canadian exchange advanced above the gold shipping point, and eventually above par. Shipments of $3,000,000 to Canada were made near the end of the month. Further shipments from Japan were reported in March.

Gold movements for the first two months of the year and for the greater part of March are summarized in the following table:

(In thousands of dollars)

Source or Destination	January and February, 1927 United States		March 1 to 30 New York and St. Lawrence Districts	
	Imports	Exports	Imports	Exports
Canada	$39,330	$ 109	$ 4,500	$ 3,000
France	20,996	....	....	....
England	7,309	....	9	....
Germany	....	13,655	....	67
Mexico	998	1,121	....	519
Chile	2,635	....	983	....
China	3,243	492	....	....
Japan	8,000	....	....	....
British Malaya	....	434	....	620
All other	1,743	1,493	351	177
Total	$84,254	$17,304	$ 5,843	$ 4,383

Foreign Trade

Exports of merchandise in February, valued at $373,-000,000, were $20,000,000 larger than a year ago, while imports valued at $312,000,000, were $75,000,000 smaller. Consequently, there was an export balance of $61,000,-000, as compared with an import balance of $34,000,000 in February of last year.

Some of the principal factors in this change in the balance of trade during the past year are shown in the accompanying diagrams. The rapid decline in crude rubber prices has had an important influence upon the dollar value of total imports, and in February the quantity imported dropped sharply, so that the value of crude rubber imported during the month was probably $35,000,000 smaller than in February 1926, though the precise figure is not yet available. Silk imports also declined sharply in February after holding at high levels, and the value was much smaller than a year previous.

Exports were increased chiefly by heavier shipments of crude materials than a year ago. Cotton exports, due to low prices, have been much larger in quantity in the past four months than in the same period last year, and in February were larger in value also. Grain shipments have been much larger than in the 1925-26 crop year, and the increased quantity has more than offset lower prices. Coal exports also have been considerably larger than a year ago.

Building

Building contracts awarded in February in the 37 states reported upon by the F. W. Dodge Corporation report were 3 per cent larger than in January, but 3 per cent below the total for February 1926. The total for the first two months of this year was 10 per cent smaller than in the corresponding period of last year. Residential building continued below the level of a year ago for the eighth consecutive month, and public works projects were somewhat smaller than last year, but contracts for commercial, industrial, and educational buildings were larger.

In the New York and Northern New Jersey district, contracts awarded were about 1 per cent below February of last year. Residential and educational building, and public works projects continued below last year's level while awards for commercial buildings were larger.

Indexes of Business Activity

A higher rate of business activity in February than in the preceding month is indicated by most of this bank's indexes of business activity. Bank debits in centers throughout the country maintained a higher level than a year ago, and in New York City were substantially larger. Car loadings of merchandise and miscellaneous freight showed an increase over January after allowance for seasonal change, and about the usual year-to-year increase over a year previous; railway traffic in the heavier freight continued substantially larger than a year ago.

The following table gives for recent months and a year ago this bank's indexes of business activity as percentages of the computed trend, after allowance for seasonal variation, and, where necessary, for price changes.

(Computed trend of past years=100 per cent)

	1926		1927	
	Feb.	Dec.	Jan.	Feb.
Primary Distribution				
Car loadings, merchandise and misc.	111	105	106	110
Car loadings, other	100	112	104	107
Exports	85	92	90	94*p*
Imports	126	117	116	106*p*
Grain exports	37	63	66	57
Panama Canal traffic	96	84	77	...
Distribution to Consumer				
Department store sales, 2nd Dist.	100	107	104	105
Chain store sales	96	101	94	98
Mail order sales	121	138	117	121
Life insurance paid for	109	121	101	113
Real estate transfers	113	106	95	...
Magazine advertising	103	103	99	102
Newspaper advertising	107	103	100	103
General Business Activity				
Bank debits, outside of N. Y. City	113	108	115	116
Bank debits, New York City	124	126	132	134
Bank debits, 2nd Dist. excl. N. Y. City	106	103	107	105
Velocity of bank deposits, outside of New York City	104	101	108	103
Velocity of bank deposits, New York City	118	124	127	134
Shares sold on N. Y. Stock Exchange*	170	195	159	204
Postal receipts	100	105	94	97
Electric power	110	117*r*	113	...
Employment in the United States	104	101	100	100*p*
Business failures	96	110	103	107
Building permits	144	158	130	153
New corporations formed in N. Y. State	124	114	114	116
General price level	187	186	185	184

*=Seasonal variation not allowed for.
p=Preliminary.
r=Revised.

Business Profits

Net profits of 403 industrial and mercantile corporations in 1926 averaged 11 per cent larger than in 1925, and 50 per cent larger than in 1924. The increases over the preceding year were not as consistent as in 1925, but more than half of the industrial groups shown below had the largest earnings in recent years. Profits in the railroad equipment industry in 1926 were more than double those of 1925, and steel, oil, and motor company profits were the largest in several years. Excluding the General Motors Corporation, however, the motor group showed smaller net earnings than in 1925.

Motor accessory corporations also reported reduced profits, and rubber companies' profits were the smallest since 1923, reflecting inventory losses caused by the sharp decline in crude rubber prices. After showing some improvement in 1925, earnings of the textile and clothing group again declined in 1926 and were little more than one-fourth as large as in 1923. Coal mining profits also were only about one-fourth as large as in 1923, but were larger than in 1924 or 1925, reflecting the effects of the British coal strike.

Profits of telephone and other public utility companies continued to increase, and the net operating income of leading railroads was the largest in recent years.

Net profits in thousands of dollars

	Number of Corporations	1923	1924	192	1926
Steel companies	24	$194,226	$136,739	$165,042	$211,277
R.R. equipment	13	48,879	27,850	18,271	40,742
Oils	32	167,041	205,376	319,425	353,754
Motors	19	151,602	124,189	249,753	295,951
Motor accessories (excl. tires)	17	30,351	21,795	35,228	29,272
Rubber	12	20,457	36,185	71,909	34,201
Food and food products	38	134,324	147,751	154,063	173,158
Tobacco	15	73,826	84,974	94,508	104,175
Leather and shoes	10	6,758	20,720	20,346	19,256
Clothing and textiles	25	37,689	4,031	18,739	9,864
Stores	20	86,059	88,221	110,548	115,205
Metal and mining	20	46,912	47,378	68,633	85,037
Coal	11	19,168	2,908	3,589	4,961
Machine & Mach. manufacturing	21	33,725	32,143	50,101	58,919
Chemical and drug	16	62,673	64,727	74,932	91,120
Building supplies	30	85,769	78,552	86,228	85,275
Misc. industries	80	141,586	156,623	193,215	205,303
Total 17 Groups	403	$1,341,045	$1,280,162	$1,734,530	$1,917,470
Telephone	70	$136,705	$150,708	$186,778	$211,343
Other public utilities	42	119,451	134,808	155,247	183,655
Total public utilities	112	$256,156	$285,516	$342,025	$394,998
Total 19 Groups	515	$1,597,201	$1,565,678	$2,076,555	$2,312,468
Class 1, R.R.	186	$983,736	$987,133	$1,136,973	$1,231,494

Production

A majority of the principal industries showed increased activity in February, after allowance for the usual seasonal changes. The daily rate of pig iron production increased about 4 per cent and total output was slightly larger than a year ago. Production of steel ingots increased even more, considering the number of working days in the month, but remained somewhat

(Computed trend of past years = 100 per cent)

	1926		1927	
	Feb.	Dec.	Jan.	Feb.
Producers' Goods				
Pig iron	108	105	104	108
Steel ingots	112	105	99	108
Bituminous coal	114	126	120	130
Copper, U. S. mines	108	106	109	108
Tin deliveries	100	112	107	93
Zinc	106	115	102	98
Petroleum	113	127	127	...
Gas and fuel oil	104	107	112	...
Cotton Consumption	105	110	98	108
Woolen mill activity*	92	99	95	92*p*
Cement	108	120	124	99
Lumber	110	110	83	...
Leather, sole	69	80	71	...
Silk consumption*	121	107	129	114
Consumers' Goods				
Cattle slaughtered	106	102	99	106
Calves slaughtered	116	115	106	109
Sheep slaughtered	114	123	110	116
Hogs slaughtered	76	76	81	75
Sugar meltings, U. S. ports	116	138	106	...
Wheat flour	90	94	84	90
Cigars	94	100	100	99
Cigarettes	74	72	72	66
Tobacco, manufactured	109	101	110	107
Gasoline	136	158	160	...
Tires	129	134	131	...
Newsprint	127	119	115	118
Paper, total	100	89	88	95
Boots and shoes	92	98	86	92*p*
Anthracite coal	**	92	83	85
Automobile, all	147	79	109	118
Automobile, passenger	152	73	103	119
Automobile, truck	128	102	133	114

* =Seasonal variation not allowed for. **=Strike. *p*=Preliminary.

smaller than in 1926. Bituminous coal production, anticipating a strike, was considerably higher than in the corresponding month of any recent year, and the rate of output of anthracite mines was little changed from the previous month. Domestic mill consumption of cotton was the largest for any February, but activity of woolen and silk mills was curtailed.

Department Store Trade

Sales of New York City department stores were very irregular in February, and on the average were about the same as a year previous. In most other sections of this district, however, sales compared much more favorably with those of a year ago than they did in January. Westchester stores continued to report large increases, and the average gain in Newark stores was the largest in recent months. Increases following January decreases were reported in Rochester, Syracuse, Northern New York State, and the Hudson River Valley district. Apparel store sales showed the largest increase since November.

Locality	Percentage Change February 1927 from February 1926			
	Net Sales	Stock on hand end of month	Collections*	Acc'ts Receivable*
New York	+ 0.1	— 1.1	+ 4.4	+ 1.7
Buffalo	— 0.6	—11.0	— 1.1	— 4.1
Rochester	+ 2.8	+ 1.4	+14.1	+23.6
Syracuse	+ 1.1	—22.1	......	......
Newark	+13.1	— 0.4	+11.4	+14.9
Bridgeport	—10.1	— 1.1	......	......
Elsewhere	+ 4.9	+ 6.6	+12.6	+ 7.6
Northern New York State	+ 4.9	......	......	......
Central New York State	— 9.3	......	......	......
Southern New York State	+ 7.0	......	......	......
Hudson River Valley District	+13.3	......	......	......
Capital District	— 1.2	......	......	......
Westchester District	+18.2	......	......	......
All department stores	+ 1.9	— 2.0	+ 6.9	+ 5.9
Apparel stores	+ 8.6	+ 2.7	......	......
Mail order houses	— 4.1	......	......	......

*=Exclusive of instalment accounts.

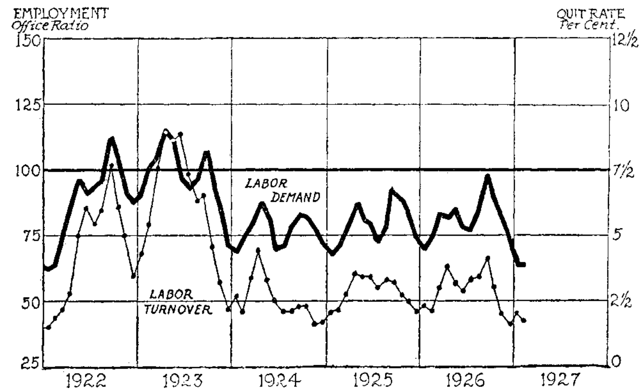
	Net Sales Percentage Change February 1927 from February 1926	Stock on Hand Percentage Change February 28, 1927 from February 28, 1926
Toys and sporting goods	+20.9	— 4.9
Hosiery	+20.7	—11.0
Women's and Misses' ready-to-wear	+15.3	+ 0.9
Books and stationery	+13.8	— 5.0
Linens and handkerchiefs	+13.2	+ 4.2
Toilet articles and drugs	+10.7	— 6.0
Home furnishings	+ 8.6	— 0.7
Luggage and other leather goods	+ 8.2	+ 2.7
Silks and velvets	+ 6.3	—13.7
Furniture	+ 6.1	+14.8
Women's ready-to-wear accessories	+ 4.7	— 2.8
Silverware and jewelry	+ 3.4	— 4.6
Men's furnishings	+ 2.2	+ 4.2
Men's and Boys' wear	+ 0.3	— 4.9
Shoes	— 7.4	+ 5.4
Cotton goods	— 9.7	—13.3
Musical instruments and radio	—20.6	—11.4
Woolen goods	—25.5	—28.4
Miscellaneous	— 2.0	—12.1

Employment and Wages

Factory employment showed a seasonal increase of 1 per cent in New York State and of nearly 2 per cent in the country as a whole from January to February, but remained smaller than a year ago in both cases. Total payrolls showed larger increases than the number employed, due to more full-time operation than in January.

The principal increase in activity in February was in the apparel industries. Some of the metal working industries, including the automobile industry, reported larger working forces, but employment in building materials declined to the lowest level of the winter.

The accompanying diagram indicates that the lower level of factory work than a year ago, together with few opportunities for outdoor employment, has resulted in reductions in the demand for workers and in labor turnover in recent months to the lowest levels in several years.



Ratio of Workers Called for by Employers to Each 100 Applicants for Work at New York State Employment Offices, and Ratio of Voluntary Resignations to Total Number of Employees of Representative Employers Reporting to the Metropolitan Life Insurance Company.

Wholesale Trade

Reports from dealers in fifteen lines of wholesale trade in this district continued to show a smaller aggregate volume of business than a year ago, although decreases in several lines were less marked than in the report for January.

Commodity	Percentage Change February 1927 from January 1927		Percentage Change February 1927 from February 1926			
	Net Sales	Stock end of month	Net Sales	Stock end of month	Collections	Acc'ts Receivable
Groceries	— 9.3	— 0.3	— 6.0	— 5.5	— 8.3	— 9.0
Men's clothing	+89.3	......	—11.4	......	— 3.7	— 3.6
Women's dresses	+ 9.4	......	—23.5	......	......	......
Women's coats and suits	+51.3	......	— 6.2	......	— 7.4	— 5.7
Cotton goods—Jobbers	+34.0	+ 4.9	— 6.0	—16.7	—14.4	—11.7
Cotton goods — Commission	— 1.4	......	—17.7	......	......	......
Silk goods	+ 3.8	— 4.4*	— 7.8	+ 4.4*	— 7.2	— 6.9
Shoes	+31.6	+17.4	+16.4	+ 6.0	—15.4	— 0.4
Drugs	— 5.7	......	+ 4.9	......	+16.6	+19.4
Hardware	+11.4	+ 6.7	— 0.3	+ 1.2	+ 4.2	— 3.0
Machine tools**	+16.6	......	— 1.8	......	......	......
Stationery	— 4.3	......	— 6.8	......	— 0.5	— 0.9
Paper	— 9.2	......	+ 3.3	......	......	......
Diamonds	— 3.7	} + 7.6	— 2.9	} + 6.2	} — 4.0	} — 2.3
Jewelry	+21.9		—20.6			
Weighted Average	+22.5	......	— 6.6	......	— 5.3	— 4.0

*=Quantity not value. Reported by the Silk Association of America.
**=Reported by the National Machine Tool Builders' Association.

Relations with Member Banks

The following extract is from the thirteenth annual report of the Federal Reserve Board covering operations for the year 1926.

DISCOUNT and open-market policies of the Reserve Banks, which are formulated primarily with a view to influencing the cost and the volume of Reserve Bank credit in use, are the principal elements in the System's general credit policy in relation to general banking and credit conditions. In their relations with individual member banks, however, the Reserve Banks are constantly dealing with a large number of problems not involving rates or market policies, and, on the basis of experience, progress has been made in 1926 in the formulation of certain principles of procedure in what may be called the individual bank credit policy of the Reserve Banks.

In general, the basis of credit to be extended by a Reserve Bank to its member banks is defined in section 4 of the Federal Reserve Act, which states that the board of directors of a Reserve Bank shall "extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims and demands of other member banks." This statement in the basic law of the Federal Reserve System underlies to a large extent the policy of the Reserve Banks and their attitude in individual cases toward extending credit to the member banks. The principle set forth in the Act goes beyond the question of the technical eligibility and even of the intrinsic soundness of paper offered by a member bank to a Reserve Bank. Even where the paper is unexceptionable in every respect, the Reserve Bank must be fully assured in addition that further credit may be granted to this member, not only "safely and reasonably," but also "with due regard for the claims and demands of other member banks." This question arises not infrequently in cases where a member bank remains continuously in debt to a Reserve Bank for a considerable length of time. In such cases inquiry may fairly be made as to whether the member bank's use of Reserve Bank credit does not in effect amount to increasing its own capital out of Reserve Bank funds. Such use of funds arising from a cooperative pooling of bank reserves, which is the basis of the Federal Reserve Banks' lending power, would not be in accordance with the spirit of the Federal Reserve Act and would not be fair to the other member banks which may be active competitors of the borrowing bank. It may also impair the ability of the borrowing bank in case of insolvency to meet its obligations to depositors. Though there are circumstances that may explain and justify continuous borrowing by a member bank over a considerable period of time, particularly if the need for the borrowing arises from general economic conditions in the borrowing bank's locality, the funds of the Federal Reserve Banks are primarily intended to be used in meeting the seasonal and temporary requirements of members, and continuous borrowing by a member bank as a general practice would not be consistent with the intent of the Federal Reserve Act. In most cases the member bank can make adjustments of different kinds in its own affairs, which will enable it to repay its borrowings at the Reserve Bank and at the same time to strengthen its own position. The bank may find it advisable, for example, to increase its own capital or to bring about a better adjustment of the volume and maturities of its investments to the credit requirements of its local customers.

In consequence of the cooperation between Reserve Banks and member banks in working out the problems of continuous borrowers, there has been a gradual decline in the number of member banks continuously in debt at the Reserve Banks. The following table shows, for quarterly dates of the past four years, the number of member banks that have been borrowers continuously for a month or more at a Reserve Bank in an amount exceeding the borrower's capital and surplus. Particular significance attaches to borrowings in excess of capital and surplus, because prior to the establishment of the Federal Reserve System, National banks were not permitted by law, with certain exceptions, to borrow in excess of their own capital resources. Thus member banks that are borrowing in excess of that amount have been enabled to do so by provisions of the Federal Reserve Act, and the System, therefore, has a special interest in observing the extent to which this privilege is utilized.

Number of Member Banks Borrowing in Excess of Capital and Surplus Continuously for a Month or More

Year	March	June	September	December
1923	*	*	543	357
1924	326	431	364	179
1925	140	218	202	133
1926	111	193	198	113

* Not available.

The proportion which continuous borrowing constitutes of total borrowing at the Reserve Banks also has declined. During 1924 about 15 per cent of the total volume of member bank borrowing at the Reserve Banks represented indebtedness continuously for a month or more in excess of the borrowing banks' capital and surplus, while during 1926 this proportion was 5 per cent.

In using their influence to discourage member banks from making continous use of the lending facilities of the Reserve Banks, the operating officials of the Reserve Banks are not only protecting the resources of the Federal Reserve System as a whole, but are also helping individual member banks to conserve their capacity to borrow at the Reserve Bank at times when adverse economic conditions in their localities and among their customers may make additional dependence upon the resources of the Reserve System not only justifiable but necessary. In this manner the Reserve Banks are not only discharging their responsibility to the member banks under the Act, but are also exerting their influence toward sounder general banking conditions in the interests alike of the member banks, their depositors, and the public.